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**AID's Environment and Urban Programs  
in Morocco**

**Program Review**

December 1996

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## A. BACKGROUND

### 1. Population and Urbanization

Morocco's urban population was estimated at 13.4 million by the 1994 census, some 51% of the national total of 26.1 million. The annual growth rate of this urban population has averaged approximately 3.6%, over the last decade, as compared with a national average of 2.06%. Projections to the end of the century suggest that Morocco's population could reach 30 million, with at least 55% living in the cities.

Urban development is dominated by Casablanca, with a population of approximately three million, double that of each of the next largest cities, Marrakech and Rabat. These latter two, as well as four other important cities, Salé, Fès, Tangier and Meknès, have grown at a slower pace than the national urban average. A group of 70 smaller cities reflect the impact of the rural exodus, with growth rates averaging 6.7%. Towns with populations between 5,000 and 10,000 confirm even more forcefully this migration, averaging 9.5% increases annually. The continuing drought will surely exacerbate the steady flow of Moroccans from rural to urban areas over the next year or two. The Government will be challenged to stem or reverse the flow when climatic conditions improve.

The effects of these increases in population have aggravated the already strained urban infrastructure. Aging city centers have become overpopulated and poorly serviced. Housing settlements, especially on the cities' perimeters, develop so quickly that they elude the watchful eye and control of the local authorities. Based on penetration rates for family planning and improved standard of living, it is expected that the rate of population increase in the cities should trail off at about 3% by the year 2000.

Poverty and unemployment remain problems for Morocco. Urban unemployment in Morocco has been calculated at 19.4% (first quarter 1996). The World Bank estimates that some 7.6% of the urban population have a monthly income below the defined "poverty level" of \$316 or Dh 2,725. A 1991 analysis of living conditions carried out by the Ministry of Plan reported that nearly 50% of urban households spent less than Dh 3,217 per month. It seems reasonable to project the median income for urban households at Dh 3,500.

### 2. Water and Sanitation

Water is scarce in Morocco. Almost all potential water resources have been surveyed and growth of demand, at about 3 to 4% per annum, is expected to produce water shortages in the medium term. As aquifers providing most current supply reach their limits, cities are exploiting surface water resources which require investments in dams, pumping stations, treatment plants and large transmission pipelines. The introduction, in 1980, of credit facilities for low-income customers to finance the cost of individual house connections has contributed to a more than 20% improvement in service levels. In 1990, 90% of the urban population had access to piped water with about 76% served by house connections and 14% by public standpipes. Slum and clandestine neighborhoods though are very poorly serviced.

The physical, chemical and bacteriological quality of drinking water supplied to most of Morocco's urban areas is still acceptable, but sewerage is grossly underdeveloped. Some densely populated urban areas do not have any sewerage systems. Those systems that do exist are under-sized and

deteriorated. Domestic and industrial liquid wastes are often discharged near residential areas without any prior treatment. Inland communities generally discharge untreated sewage into rivers, which are usually not perennial and communities along the coast discharge effluent at the shoreline. The environment and public health are seriously affected. Water resources and coastal sea waters are badly polluted.

Production of potable water and conveyance to the larger agglomerations is ensured by the National Office of Drinking Water (ONEP). Public utility enterprises (Regies) are in charge of water distribution in the 16 largest urban agglomerations. The Regies are under the administrative tutelage of the Ministry of the Interior and their performance, although limited, is gradually improving.

Sewerage has been the responsibility of local government (Collectivites Locales) limited financial resources and technical capacity. Consequently they have been unable to ensure the proper functioning of their sewerage systems which are poorly maintained and generally in a serious state of disrepair. In 1985, as a pilot operation, sewerage responsibility in the Greater Casablanca area was transferred from municipal authorities to the water and electricity distribution Regie (RAD). *In 1991 and 1994 the experience was replicated in Agadir and Fes (projects were financed by the World Bank) and other cities including Tangiers, Marrakesh and Rabat/Sale are also planning transfers. In 1996, the City Council of the Commune of Casablanca went further and voted to grant a 30 year concession for development of the city's water electricity and sewerage utilities to a private international consortium headed by the French group, Lyonnaise des Eaux.*

### 3. Shelter

The present urban housing deficit is estimated at some 350,000 units and the Government's Center for Demographic Analysis and Research (CERD) suggests that some 150,000 units have to be produced annually to meet growing need. The Government estimates "formal" housing production (for which legal permits were issued) during the 1982-90 period met only about 50% of that need. Public sector supported production of housing units accounted for only 14% of formal production in the 1985-90 period. Between 1985 and 1990, specialized agencies of the central government produced some 41,100 dwelling units and developed 143,900 lots.

The Government estimates that up to 25% of all urban households still live in substandard housing. The major classifications of substandard housing are: 1) "clandestine," meaning urban neighborhoods containing solid housing structures built outside the formal permit process without the accompanying paved streets and water, sewer and electricity networks, and 2) slum or squatter areas ("bidonvilles"), with no infrastructure and marginal building materials or construction. These latter contain about 6.8% of all urban households now, half the percentage of a decade ago, thanks to Government efforts. At the same time though, urban growth driven by the continued migration of rural poor has kept total slum population more or less constant at approximately 160,000 families or 800,000 people.

Two national agencies, the Societe Nationale d'Equipement et de Construction (SNEC), the Agence Nationale de Lutte contre l'Habitat Insalubre (ANHI) and seven regional public developers called ERACs are responsible for providing lots (and some houses) to all classes of households and cross-subsidizing the poorer with higher charges for the well to do ("perequation"). Casablanca has its own public developer, Attacharouk, *dedicated to slum programs*, and the publicly owned Caisse de Depots et de Gestion (CDG) has a real estate affiliate, the Compagnie Generale Immobiliere (CGI), dedicated to the promotion and construction of middle-income housing. Municipalities are primarily responsible

for approving land development and housing construction, but subject as well to approval of the governors and even the Ministry of Interior for all projects of significance. A government owned bank, the Credit Immobilier et Hotelier (CIH), is charged with providing housing finance to low middle-income households.

The private sector includes land developers (composed of a small number of professionals and a myriad of amateurs which enter the business because they own land), individuals building their own house on a purchased lot (the predominant practice in Morocco), construction companies of varied size and capability and a substantial number of informal builders working in slum and clandestine neighborhoods.

The World Bank's 1995 housing sector analysis and strategy concludes that the urban land development system cannot accommodate the increased demands it will face; that reform of the housing finance system would improve affordability and that the roles of the public and private sectors need change.

#### 4. Municipal Government

Human resources in local government have tended to be limited, adding to the problem. One reason for understaffing/weak staffing of local governments in the past was the retention of decision-making authority at the central government level. With decentralization programs, that is gradually changing. Many city governments are now working to overcome deficiencies in the quality and quantity of their staff. Data for 1991 showed four staff persons per 1,000 inhabitants. Government plans now call for increases in this average to six by 1995. Municipal government pay has been improved in recent years, and the larger cities have staff capable of planning and implementing capital investment projects.

Moroccan public administration has historically been highly centralized. Government administration includes provinces and prefectures, which are divided into communes. The communes are governed by a council and an elected president. Communes are primarily responsible for basic local services including road construction, maintenance, sewerage, solid waste disposal, etc. The central government has a strong hand in the selection and financing of programs for local governments. The Ministry of the Interior and the Ministry of Finance are the controlling agencies. This system may avoid the most flagrantly poor choice of projects. On the negative side, however, it has led to a complicated and unresponsive system of intergovernmental transfers. Decentralization, and the accompanying reforms in financing and budgeting systems, should gradually improve this situation.

The Government has made major changes. The number of local government units was basically doubled. This is intended to make local government more responsive to constituents, to help rural communities gain more of a voice in government, and to improve management. Accompanying this "decoupage" are reforms in finance, in particular the allocation of a portion of national Value Added Tax (VAT) receipts to local governments, with an incentive system being devised to assure that cities improve their own tax collection.

The changes are necessarily causing disruptions in the short-term, as many cities now have multiple administrations. Tetouan, a city of 350,000, for instance, now has two "communes" and an overarching "communaute urbaine" where there was previously a single local government. There are not yet enough civil servants, equipment or cash to run the new system in Tetouan efficiently.

The World Bank is assisting this process of decentralization and reorganization on a national scale, helping reform the system of allocation of tax proceeds to local governments, planning training and technical assistance for thousands of municipal workers over the next several years. The Ministry of Interior with assistance from the World Bank developed a new system for allocation of value added taxes (VAT), approved by the Parliament, that will strengthen local government finances. Eventually decentralization should make local governments more able to respond to resident demands for modern infrastructure and services, and more able to recover costs for these services.

## 5. Financial Markets

The Moroccan financial system is undergoing a profound change. In the 1980's, Government economic policy was directed at bringing government expenditure and debt under control. Inflation responded by falling to single digits. In the 1990's, the Government intends to liberate financial markets from direct government control. With support from the USAID and other international donors, the central government is moving to indirect application of monetary policy, and encouraging the growth of capital markets.

Interest rates are gradually being freed to respond to market conditions and, over time, the Governments financial needs will be met by use of the money and capital markets. This will ease central control of the bulk of the financial sector's assets. Further to these financial reforms, the policy of decentralizing authority to local governments has motivated a reform of the municipal tax base.

All these reforms, while promising, have caused temporary confusion in the urban development sector. Local tax and fee revenues have been less than necessary for high levels of investment. The financial sector has not yet developed the skills and products needed to meet local government needs. The Fonds d'Equipement Communal (FEC) is being restructured and revitalized. Local governments are only now beginning to benefit from reform of their tax base.

Financing for construction and acquisition of housing has suffered during the financial sector reform. The Credit Immobilier et Hotelier (CIH), a special financial body approved by the Government, is a housing sector lender but long given to support for the hotel industry and private high quality land development, has now been converted to a full-fledged bank. The Banque Centrale Populaire (BCP), prior to the 1980's an important lender for home acquisition by moderate income families, has directed its development in recent years to shorter term commercial lending. Other banks (such as Wafabank) are just now entering the housing finance market, but generally at the high end (e.g., apartment construction).

The present banking sector reforms have removed the public sector monopoly on home acquisition lending. There has not been time, however, to develop the type of competition for market share that could result in some institutions choosing to focus on the housing needs of their small depositors. The result of the combination of these various factors, therefore, has been a drop in the resources available for the housing sector overall. This drop has been exacerbated by events such as the Gulf War which led to losses in the hotel business and severe debt servicing problems in the sector.

Land developer experience around the country suggests that, for the moment at least, the more difficult economic circumstances, coupled with continuing low access to credit, may lead low and moderate-income families to avoid or slow investments in land and housing. There is spirited

discussion by observers on the likelihood of private sector interest in housing credit (at any stage) for private real estate development/sales to below median income clients in the near future. The World Bank has developed a \$130 million program for low income housing which includes no attempt at mortgage financing (just some construction financing). USAID has been working with the Ministry of Finance on a decree that would facilitate mortgage backed securities.

## B. OBJECTIVES

### 1. Government of Morocco Strategies

The Government of Morocco's stated goals are to provide adequate water service through house connections to 90 percent of the urban population, eliminate slums and construction of 200,000 affordable new homes by the year 2000.

Recently adopted policy measures and commitments that would improve sectoral performance include:

- expanding the role of private land developers to provide serviced plots to low income families;
- expanding the role of Moroccan banks to provide financing to private land developers for the production of low-cost serviced land and housing;
- establishing an interministerial coordinating committee, chaired by the Minister of Housing, to improve the coordination of shelter production and infrastructure provision among concerned ministries;
- strengthening its efforts to improve substandard settlements by providing basic infrastructure and related services.
- enhancing the role of the FEC by giving that institution greater autonomy to finance key infrastructure investments in the rural and urban communes and reorganizing its structure to make it more effective and responsive; and
- strengthening the financial capacity of local governments by rationalizing the allocation of receipts of the VAT.

## 2. Other Donor Programs

The principal other external donor/lender organization active in municipal and housing development is the World Bank. Since 1972, the Bank has also loaned more than \$430 million for water and sewerage projects in Morocco. The most recent loan is focused on the Fes region. Between 1983 and 1989 the Bank also provided a \$60 million line of credit to the Credit Immobilier et Hotelier (CIH) for low middle-income housing and a \$16 million line to the FEC for communal infrastructure.

In June 1993, the World Bank and the Government agreed to carry out two projects dealing with urban development issues. The First Municipal Finance Project provided loans of \$100 million to the FEC to improve the efficiency of local investment, distribution of the local share of the VAT, the availability and delivery of local services, and local government management. The loan is through FEC and includes measures/preconditions to strengthen FEC itself. A Second Municipal Finance Project, nearly appraised, will provide \$70 million to continue the project with a focus on FEC operations as a Bank and environmental impact assessments.

The Bank project with FEC is extremely opportune, as it will also help strengthen the capacity of FEC through a combination of preconditions to loan signing (on FEC organization, staffing, procedures, etc.) and technical assistance/training during project implementation. USAID's program adds particular assistance with environmental assessment, organizational strategy and financial sustainability.

The second World Bank project, a \$130 million Land Development Project for Low Income Families, is supporting development of serviced sites by both public and private sector developers, in particular to help relocate squatter neighborhood residents, and to encourage participation in this process by the banking sector. *Disbursements are nearly complete to the publicly owned Société Nationale d'Equiptement et de Construction (SNEC) and to the Crédit Immobilier et Hôtelier (CIH), but participation of the privately owned Wafabank has not gone forward and that component has been deleted.*

World Bank technical assistance totaling \$2.0 million will support Government analyses of the housing sector and property taxation. The loans to the SNEC and CIH include a \$500,000 component for technical assistance related to management systems. Two major studies are underway on housing finance and land management.

*The World Bank is also preparing a third loan to finance low income and construction of social housing projects along with an "Observatoire Nationale" to monitor sectoral development and establishment of a National Housing Fund.*

Other donors include the German (KFW) which is providing FEC with DM 20.5 million for studies and capitalization of the FEC and the Japanese (JICA) which is providing the Ministry of Interior with Y45 million for studies and assistance with the FEC on local government finance, tax reform and asset management.



### 3. USAID's Strategic Objectives

USAID's strategy for assisting Morocco to achieve an improved quality of life for poorer Moroccans through equitable and sustainable social and economic development concentrates on four Strategic Objectives: 1) reduced fertility and improved health of children under five and women of child-bearing age; 2) improved water resources management in the agriculture, urban and industrial sectors; 3) expanded base of stakeholders in the economy, targetting people of below median income; and 4) increased basic educational attainment for rural girls in target areas.

The urban program including HG loans and the Urban Environmental Services Project is directed to Strategic Objectives 2 and 3. The results framework for these activities is summarized on the following table:

Agency Goal	Protecting the Environment	Encouraging Broad-Based Economic Growth
Mission Strategic Objective	improved water resources management in the agricultural, urban and industrial sectors S.O. 2	expanded base of stakeholders in the economy, targeting people of below median income S.O. 3
Indicators	<b>percent of poor urban households connected to sewerage and potable water</b>  definition: percent of households in target neighborhoods  comment: target neighborhoods include all slum and clandestine settlements in the country	<b>increase in jobs created through program activities for below median income people</b>  definition: number of person-years employment for target group  comment: estimated 15 days work generated for each square meter of land developed
	<b>number of cities with improved environmental service (garbage collection, landfill)</b>  definition: number of cities	<b>increase in below-median income households owning homes (urban only)</b>  definition: number of serviced lots made available (in new and upgraded neighborhoods)

	Intermediate Result I.R. 2.1 improved policy, regulatory and institutional framework
Indicator	<p><b>Urban Sector Institutional Sustainability Index</b></p> <p>definition: percent of indicators achieved</p> <p>comment: Index elements agreed to in AID Housing Guaranty Program Agreements for ANHI, FEC and municipal programs</p> <p>Objective: 1. <b>Enhancement of financial management and internal control systems</b></p> <p>Indicators: (a) application of financial management procedures (b) independent audit (c) system for budgeting and marketing strategies (d) reinforcement of internal controls</p> <p>Objective: 2. <b>Improved capacity to finance programs</b></p> <p>Indicators: (a) adoption of cost recovery procedures (b) plan for mobilizing and diversifying resources</p> <p>Objective: 3. <b>Development of partnership arrangements</b></p> <p>Indicators: (a) joint venture agreements with local governments</p> <p>Objective: 4. <b>Increased involvement of the private sector</b></p> <p>Indicators: (a) joint venture agreements with private sector developers (b) long term plan with Ministry of Housing to reinforce role of private sector</p> <p>Objective: 5. <b>Incorporation of environmental considerations in decision making process</b></p> <p>Indicators: (a) adoption of procedures for environmental review (b) adoption of training program (c) environmental review of project sites prior to development (d) documentation of environmental reviews in decision making process</p>
Intermediate Result	I.R. 3.1 improved policy and regulatory framework
Indicator	<p><b>new measure to increase access to housing credit for target group</b></p> <p>definition: housing finance decree</p>

Intermediate Result	improved environmental technologies I.R. 2.2	
Indicators	<b>number of environmental impact assessment of new projects prior to development</b>  definition: number of assessments	
Intermediate Result	broadened public participation for environmental action I.R.2.3	increased access to housing for below median income households I.R. 3.3
Indicators	<b>number of cities holding public meetings on investment or maintenance of environmental systems</b>  definition: number of cities	<b>number of serviced lots developed for sale to below median income households</b>  definition: new starts per year and cumulative new starts (serviced sites in new neighborhoods)  comment: based on estimate that 70% of lots developed by ANHI are affordable to below median income households
		<b>private sector financing leveraged for below median income housing</b>  definition: multiplier: ratio of private/public sector investment at project completion (based on surveys)

### C. PROGRAM EVOLUTION AND IMPACT

The current program builds on two completed HG/project activities in Morocco, one centered on upgrading conditions in a single city as model (HG-001/608-0194), the second (HG-003/608-0200) focused on helping ANHI expand its programs to prevent/replace slums. The overall HG program in Morocco was evaluated in 1992, with very positive findings and recommendations (see "Review of Ongoing USAID Shelter Activities in Morocco," ICMA, 1992).

The Tétouan Urban Development Project (HG-001) was authorized in 1985. The Program, through experimentation, aimed at developing an urban development model that could be applied in other municipalities. Program actions included upgrading the clandestine Dersa-Samsa neighborhood of Tétouan, which has had a direct effect on nearly one third of that city's population, and improvement of the city government's capacity to deal with housing and land development activity.

Specifically, HG-001 offered support for financing:

- the upgrading costs of 7,500 lots on 158 hectares housing 9,500 households;
- development of a 140 hectare special development zone (ZAC), to be development through a partnership of public and private sector organizations;
- municipal government development of 60 hectares of serviced lots for moderate income households (to forestall informal land development in the area, and to cross-subsidize the upgrading component); and
- off-site infrastructure.

In addition, the Tetouan program has developed innovations in municipal government organization, computerization of certain key management functions, cost recovery for such programs. Through a twinning arrangement, the city of Raleigh in North Carolina assisted Tetouan with training of technicians responsible for monitoring wastewater collection systems and water quality at sewer discharge points. In addition, Raleigh has helped Tetouan to identify and procure the appropriate equipment - from microscopes to sewer flusher trucks. The collaboration has strengthened Tetouan's ability to support both the day to day business of waste management and the establishment of long term strategies.

Tetouan's medical chief has reported a spectacular decrease in contagious diseases in the Dersa-Samsa that was upgraded through the Project. In 1988, Tetouan was the point of departure of a major cholera epidemic and has long had a reputation as the source for diseases. Since improvements in sanitation there has been a sharp reduction in reported cases and requests for consultations for diarrhea have been cut in half.

In 1988, USAID authorized a follow-on Housing Guaranty program, the ANHI Low Income Housing Project (HG-003). The HG-003 Program was directed at financing the program of serviced land development administered by the National Shelter Upgrading Agency (ANHI), an agency that continues to play an important role in support of the Municipality of Tétouan's urban upgrading and land development activities. The objective of HG-003 was to expand the ANHI program to nationwide coverage, and extend the experience gained in the HG-001 to other local governments. HG-003 financing had enabled ANHI to produce an additional 2,000 low-income plots per year, benefitting some 25,000 people each year. In fact, ANHI progress has been better than anticipated. ANHI (using HG and other resources) is now producing

some 10,000 plots per year. In the nearly ten years of its life it has produced over 100,000 plots in over 80 sites, and has a pipeline of 100 new projects.

Using the Tetouan urban upgrading experience, ANHI has also undertaken upgrading programs in other cities (Azrou, Fes, Tangiers, etc.). The Tetouan model has been adapted for particular needs of the concerned cities. ANHI is cooperating with municipalities on this type of activity.

Beyond the quantitative shelter condition improvements carried out under HG-001 and the real production increases under HG-003, the impact of the two programs has been at a higher strategic level. As a result of the technical assistance provided under HG-001, the participating institutions were strengthened to enable them to implement a large-scale urban development project. Tangible results include the provision of automation equipment and software, a geographic information system, and training in the fields of cost recovery, municipal finance, and financial analysis. Seminars were held to enable other municipalities to benefit from activities carried out at Tétouan. The technical assistance grant under HG-003 provided *inter alia* professional training and automation equipment, and, more importantly, facilitated a shift in strategy at ANHI to improve that agency's effectiveness in working with local governments, banks, and private developers. This experience has shown that coordinated, concerted efforts can have a positive effect on the provision of low-income shelter opportunities.

#### D. DESCRIPTION OF CURRENT PROGRAM

##### 1. Program Components

The Program has two principal components. The first of these is Land Development and Financing and the second is Urban Infrastructure and Environmental Services. Both components receive inputs from the grant (technical assistance, training, studies, etc.), Project 608-0221.

Under the Land Development and Financing Component, ANHI (Agence Nationale de Lutte contre l'Habitat Insalubre) has primary responsibility for contributing to the elimination of slum neighborhoods and preventing the spread of substandard and clandestine settlements. Working with financial institutions, ANHI is also instrumental in identifying opportunities to improve the availability of housing finance. Under the second component, selected municipalities solicit financing from FEC (Fonds d'Equipement Communal) to upgrade substandard neighborhoods, provide off-site infrastructure, carry out technical studies and improve the provision of environmental services.

It is planned that over life of program ANHI will receive \$80 million in loan funds and FEC \$20 million (to be supplemented by \$20 million from FEC resources). Analysis indicates that ANHI can absorb this loan and use it effectively. FEC has historically about twice as many requests for financing from municipalities than it has had funds to make loans. For the HG portion there is no predetermined PACD, but an objective to disburse in five years. The land development financed with HG loans will be completed over a ten year period.

HG funds will be released in tranches, subject to Government agencies meeting conditions which will be detailed in the Implementation Agreement(s) governing the two components of the loan program. To date, the FEC has borrowed \$15 million and the ANHI has borrowed \$35 million.

The six-year \$7.2 million UES Project (608-0221) will benefit various government organizations important to the Program, and will provide financing for evaluations, audits and some aspects of Program oversight by USAID (hiring of Personal Services Contractors as technical advisors to A.I.D.). Most of the technical assistance and training activities financed under the Project will be provided through an institutional contract that has been awarded to Technical Support Services (TSS). The contract, however, was not awarded until last year and was then held up by a protest. The contractor was allowed to proceed in April 1996 and is now operational.

## 2. Policy Initiatives and Operational Reforms

An important part of the overall program for housing and urban development in the next five years, and one which overlaps HG and grant, is the policy discussions and expected policy changes which should emerge thanks to this program. The exact nature of the outputs related to reform will be defined as the program evolves.

The HG Program Agreement with ANHI includes a Policy and Procedures Action Plan. It has been adopted by USAID/Rabat as a key indicator of an improved policy, regulatory and institutional framework (see Urban sector Institutional Sustainability Index under IR 2.1 of the results framework).

### E. *Status of Current Program*

1. *ANHI program (see 2/14/96 memo attached)*
2. *FEC program (see 3/20/96 memo attached)*
3. *Program Implementation Report (see 9/30/96 report attached)*
4. *Technical Assistance Workplan (see 11/96, revised workplan)*

### F. ISSUES AND OPPORTUNITIES

#### 1. Level of HG Authority

*AID/W allocations for the HG program include \$0.77 million in HG reserves for Morocco in FY 97 or 22% of the \$3.5 million available worldwide. Based on the structure of current loans (30 yrs; with 10 year grace on payment of principal), this would allow for a borrowing of about \$7.0 million. The most immediate need will likely be with the FEC, but updated ANHI and FEC Project Implementation Plans, now in preparation, and HG allocations of remaining HG authority available over the next three years will have to be reviewed.*

#### 2. Funding for Technical Assistance

*The ANE Bureau is facing substantial budget cuts which may force USAID/Rabat to drop the number of Strategic Objectives in its program and reduce funding for the urban environmental program. The Urban Environmental Services Project was approved with a \$7.2 million life of project budget and a 1999 project assistance completion date (PACD). As of the end of FY 96, \$4.5 million had been obligated - \$2.7 million of that through the TSS contract. If in the worse case the Mission were not able to provide any new funding, the Technical Assistance Program would have to be substantially refocused and HG loan programming re-examined.*

### 3. Priorities for Technical Assistance

*TSS has completely revised its workplan to track the Mission's Results Framework and performance indicators. Even without budget cuts though, the plan may be too ambitious and the possibility that full funding of the contract may not be possible will mean that TSS, USAID, ANHI and the FEC will have to engage in a serious discussion of resources and priorities. During the delays in getting TSS contracted, ANHI with its own resources made significant progress on the Policy and Procedures Action Plan. Their resources as well as assistance from other donors should be examined and USAID's assistance limited to activities where results can be achieved within the budget currently available.*

### 4. Evolving Roles of ANHI and FEC

*ANHI performance remains high despite requirements to participate in new initiatives mandated by the King, changes of strategy and reorganization at the Ministry of Housing, a new Minister and the move of ANHI's founding president to the Ministry in the position of Secretary General. Nevertheless, some reshaping of its role is inevitable and a long term vision of its place in the sector is needed. Similarly, the FEC's goals as a Bank need clarification. How will both relate to slowly emerging private sector developers? What can both do now to promote environmentally sound land management? How can they promote the private sector and still meet the needs of the urban poor? How will they respond to gradually emerging capital markets? Will they be able to raise the financing still needed for slum improvement and environmental infrastructure? It's an important time for both institutions to look ahead.*